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STATISTICAL BULLETIN

Volume 18, No. 5, May, 1985

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The Conference Board

COMMENT

- SLUGGISH REAL OUTPUT GROWTH IN FIRST QUARTER, 1985 INFLATION FLAT BUT SO IS UNEMPLOYMENT
- ECONOMIC GROWTH EXPECTED TO BE BETTER IN SECOND QUARTER, BUT NOT ROBUST
- RELIEF FROM HIGH U.S. DOLLAR NOT YET IN SIGHT

GNP rose by a mere 0.7%,seasonally adjusted annual rate in the first quarter, significantly lower than the 3.3% median of the March **Economic Forecasts.** That the pace of activity was slower than anticipated is no cause for alarm. Some parts of the economy, housing for one, are flourishing and none of the usual signs of approaching recession have surfaced. Indeed, the revised **Economic Forecasts** indicate that the pace of activity has probably quickened in the second quarter. A narrow majority of the forecasts suggest that a moderate rise in the economy can be expected for the second half of this year as well. Other forecasts point to a weaker growth pattern. In sum, regardless of the specific path the economy now takes,the expansion has reached maturity.

A 0.7% real growth rate in the first quarter is too slow to allow for much improvement in the labor market. The national unemployment rate was 7.4% in January and 7.3% in each of the succeeding three months. The number of people working in wholesale and retail trade—as well as finance, insurance and real estate—continued to increase by about a 5% annual rate in the first four months of this year. Construction employment, buoyed by stronger home buying, rose at a 15% annual rate in this period. But, continued weak gains in other industries, mining for instance, and declines in durable-goods manufacturing, kept total employment from rising faster than the adult population.

Even those **Economic Forecasts** of a somewhat faster pace of activity for the second half of 1985 suggest that the rise in job openings will be only a little higher than the rise in job seekers. The most optimistic forecast is that the unemployment rate will improve to about 6.9% by December. Other forecasts point to a softening labor market and there is some evidence now to support that view. The Conference Board's **Help-wanted Index,** a measure of labor demand, has shown virtually no movement in the first three months of this year. And early returns to the April survey show a sharp decline in want-ad volume. If labor demand is indeed beginning to fall, then the unemployment rate may not drop below its present level. Indeed, at least one forecast indicates that it could inch back up to 7.7% by year end.

Modest gains in real output and flat unemployment are tempering the consumers' view of the economic outlook. Twice in the last six months, The Conference Board's **Consumer Confidence Index** fell suddenly, only to recover the following month. This series declined from 96.8 in November, to 85.9 (1969-1970 = 100)in December, then rebounded to 95.4 in January. This sequence was repeated in March and April, but with even less rebound. The **Consumer Confidence Index** fell to 87.8 in March, then recovered to only 92.6 in April. Less optimism about the next six months is beginning to affect the consumer's overall view of the economy. A steady diet of news reports about higher unemployment could further erode expectations for jobs and pay raises.

Sluggish increases in the total number of job holders over the last few months constrain increases in household spending power. But that is only part of the story. The high value of the dollar translates into low prices of imported goods. That, in turn, exerts downward pressure on prices of import-competing goods. While all of this helps to stretch the consumer's dollars, it forces producers to keep an especially keen eye on costs—principally labor costs. As a result, incomes for some workers are rising slowly. Total personal income, adjusted for inflation, fell at an annual rate of 0.9% in February and March.

With real personal income falling in the first quarter, consumers turned more cautious with regard to some non-essential spending. Retail sales, adjusted for inflation, fell at a 3.7% annual rate in February and March. The decrease in buying of big-ticket durable goods, especially cars, was even more pronounced. New, domestic **Automobile Sales** averaged 8.69 million, seasonally-adjusted at an annual rate, in January. The selling rate then declined to 8.35 million in February and 8 million in March. All these numbers, while seasonally adjusted, were obviously affected by the erratic pattern of winter weather. The selling rate for domestic cars rose to 8.93 million in April and real, retail sales recovered. This suggests that, absent cold, snowy weather—and aided by falling consumer loan rates—households still have the inclination, and some means, to step up their buying, albeit at a somewhat cautious pace.

Given the degree of market penetration by imports, the level of consumer market activity has been insufficient to

Ken Goldstein, Editor

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25 McArthur Road
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845 Third Avenue
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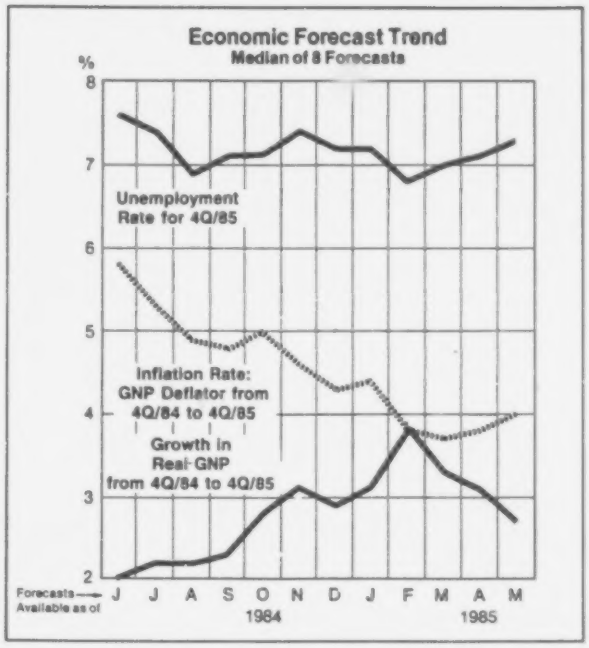
The Conference Board, Inc.
Avenue Louise, 207 Bte 5
B-1050 Brussels, Belgium



support gains in domestic output. Total industrial production fell, or was flat, in three of the last five months. It was actually 0.7% lower in April, 1985 than it was last August. The drop in production was more pronounced in the subcomponent for consumer goods than for business equipment. Declines in production hold down increases in employment, limiting gains in wages and, hence, cutting the rise in consumer demand—which, in turn, limits the outlet for increased output. In addition, the lack of production gains leads to idled resources. The capacity utilization rate for advanced-processing manufacturers was 81% in March—it was 82% one year ago. With operating rates inching lower, expanding production facilities is of less immediate concern. Manufacturers, consequently, may be starting to scale back their investment plans.

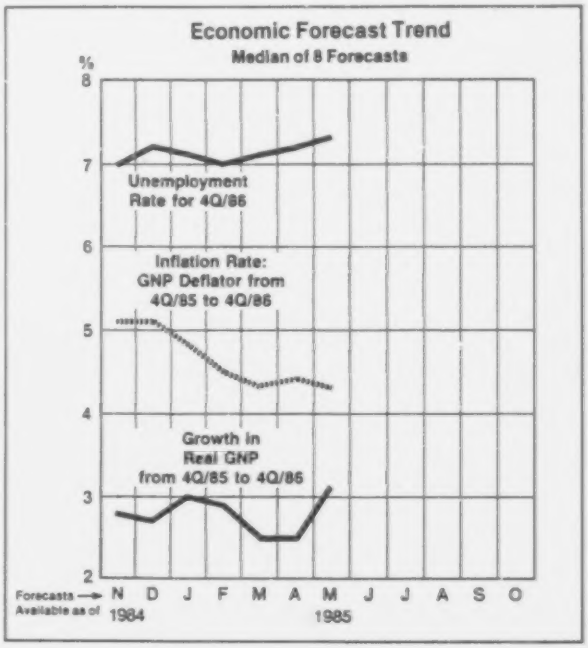
Early returns to The Conference Board's **Capital Appropriations and Expenditures** survey of the nation's 1,000 largest manufacturers show smaller increases in appropriations—approval of new spending plans—in the first quarter than in recent surveys. Given the time lag between approval of investment plans and implementation, any slowing in capital appropriations now will not affect business spending for several quarters. Conversely, strong gains in appropriations last year will keep business spending fairly strong this year.

Rising federal, state and local government spending is anticipated for the rest of this year. Add some gain, however limited, in consumer demand, plus strong business investment, and the current expansion—now approaching the average life-span of post-war expansions—can continue, albeit at a moderate pace.

The slower pace of the first quarter helped keep the decline in interest rates going. The Federal Funds rate—the rate at which banks borrow from other banks—fell from about 11½% last August, to about 8½% in April and below 8% in early May. Interest rate declines helped car sales and gave a lift to home buying. It also paved the way for some modest fall in the dollar. The trade-weighted average **Exchange Rate** of the dollar against other major currencies was 136.9 (1980–1982 = 100) in March, or 36.9% higher than its base-period value. It fell to only 31.7% of its base value in April.

April estimates of real GNP growth for the second quarter are a little lower than those of last month. Nevertheless, the **Economic Forecasts** point to a moderate pickup of activity through mid-year. The median of the forecasts indicates that real output is expanding by about 3.4% in the second quarter of 1985, and that that pace will be maintained in the third quarter. More pessimistic forecasts, however, suggest that the economy may be growing at only a 2.2% rate in the second quarter and that it will fall to zero by the fourth quarter.

Ken Goldstein
May 14, 1985

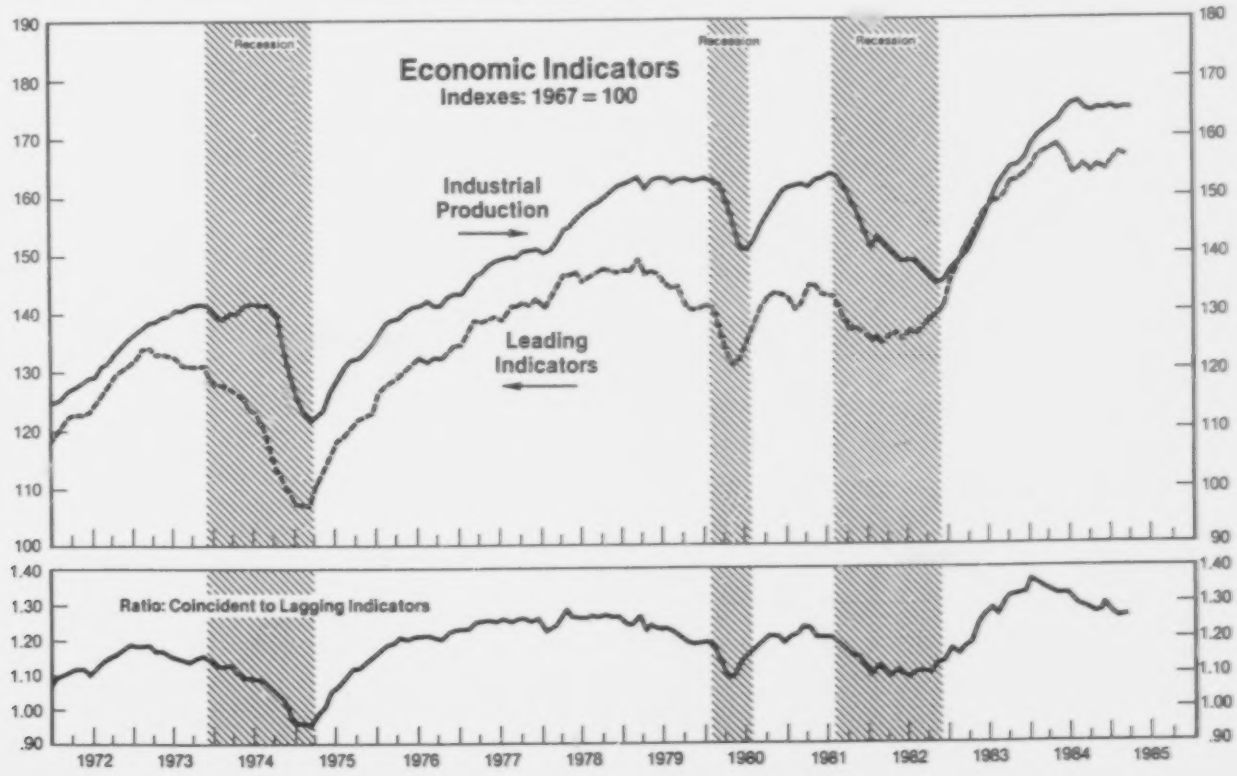


STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Mar.	X			+ 1.6%	– 0.1%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Mar.		X		+ 13.8%	+ 1.3%
New orders, nondefense capital goods (deflated)	Mar.		X		+ 14.7%	+ 0.7%
*New business formation	Mar.		X		– 0.8%	– 1.0%
*Housing permits	Mar.	X			+ 16.5%	+ 1.7%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Mar.		X		– 1.3%	– 1.3%
*Change in inventory, on hand & order (deflated)	Feb.		X		– 4.7%	– 18.0%
Purchasing agents' buying policy	Apr.			X	– 3.0%	– 11.0%
*Vendor performance, reported slower deliveries	Mar.		X		+ 1.0%	– 26.0%
Industrial raw materials prices	Apr.		X		+ 0.7%	– 11.1%
*Change in sensitive material prices	Mar.			X	– 0.7%	– 1.2%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Mar.	X			+ 1.4%	+ 5.1%
Change in business loans	Mar.		X		+ 29.2%	– 73.3%
*Change in credit outstanding	Feb.		X		– 1.5%	– 4.5%
Change in consumer installment debt	Feb.	X			+ 51.5%	+ 50.2%
Profitability						
Total corporate profits, after tax (deflated)	4th Q			X	– 1.1%	– 2.1%
*Common stock prices	Apr.	X			+ 5.3%	+ 14.7%
Marginal Employment Adjustments						
*Average workweek, mfg.	Apr.			X	– 0.3hr	– 0.8hr
*Initial unemployment claims (inverted)	Apr.		X		– 5.8%	– 11.1%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington, D.C.: Government Printing Office) June, 1977.

*These twelve series make up the Composite Leading Index charted below.



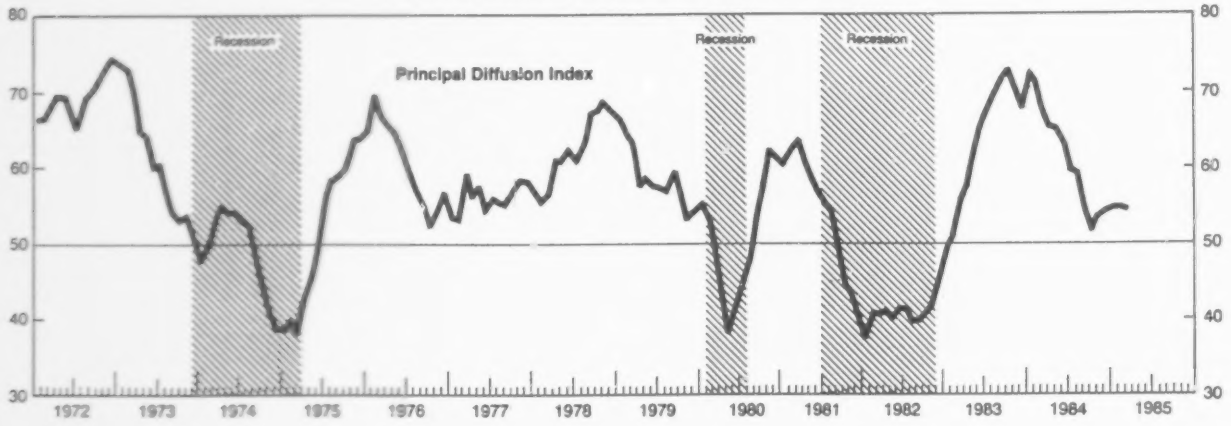
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1984 Mar.	1984 Dec.	1985 Jan.	1985 Feb.	1985 Mar.(e)
Principal Diffusion Index	67.8	54.3	54.7r	54.8r	54.3
Auxiliary Diffusion Index	34.7	55.7r	51.6r	50.1r	48.3
Industrial Group	69.5	51.1r	48.8r	48.7r	50.4
Nonindustrial Group	66.2	57.4r	60.6r	60.9r	58.1
Sense of Diffusion	1.0	1.0	0	0	1.0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	61.3	47.4r	49.6r	51.7r	51.3
Labor	67.3	58.3	52.6	50.6	54.0
Miscellaneous	87.2	38.5r	38.5r	39.1r	40.4
Nonindustrial Subgroups					
Prices	63.5	38.5	39.1	40.4	33.3
Consumer	77.4	77.8	81.6	85.0r	78.2
Building	64.7	67.9	65.4	63.5	69.2
Miscellaneous	57.7	42.7r	50.9r	48.7r	47.0

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1982 Aug.	1982 Nov.	1983 Feb.	1983 May	1983 Aug.	1983 Nov.	1984 Feb.	1984 May	1984 Aug.	1984 Nov.	1985 Feb.
	Score (scale 0-100)										
Measure of Business Confidence	55	60	70	76	75	74	70	65	61	57	61
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	38	44	65	76	82	80	76	75	70	57	62
2. Expectations for Economy, Six Months Ahead	65	70	76	78	74	73	67	60	57	57	61
3. Expectations for Own Industry, Six Months Ahead	61	65	70	72	69	70	67	61	57	58	61

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question,and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

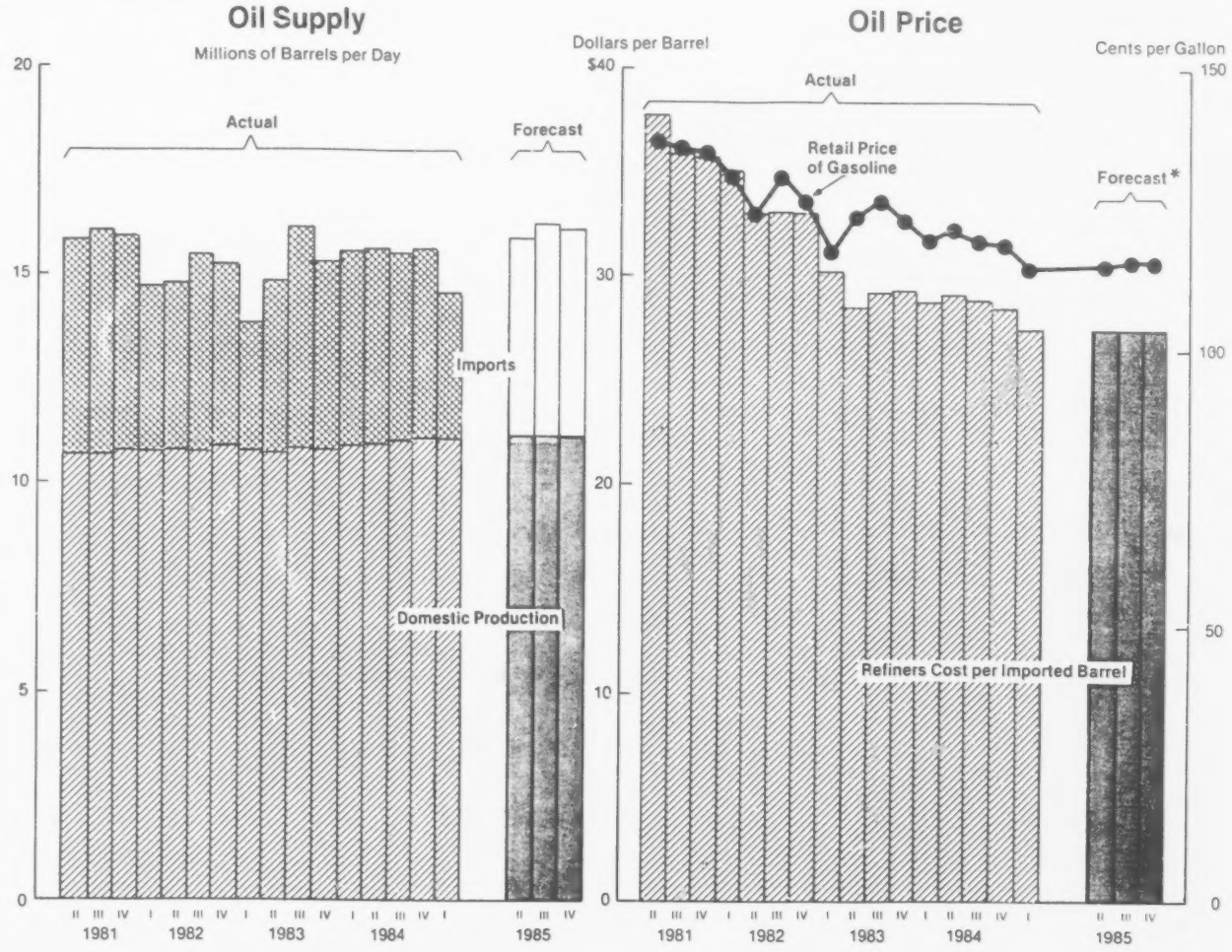
	1983			1984				Percent Change From Previous Year		
	IIr	IIIr	IVr	Ir	IIr	IIIr	IVp	1983 Actual	1984 Actual	1985 Expected**
1000 LARGEST MANUFACTURING FIRMS										
New appropriations	20.874	22.875	24.262	26.816	37.154	27.592	28.984	1	32	7
Capital expenditures	18.664	18.244	19.560	19.905	21.806	22.924	24.956	−23	19	34
Change in appropriations backlog*	+0.982	+1.988	+0.928	+5.152	+13.867	+3.386	+1.341			
Durable Goods										
New appropriations	9.293	9.119	11.024	13.662	21.216	12.617	14.794	17	58	−17
Capital expenditures	7.717	7.667	8.727	8.714	10.033	11.031	12.469	−19	33	25
Change in appropriations backlog*	+0.887	+1.466	+0.819	+4.057	+10.843	+1.303	+0.890			
Nondurable Goods										
New appropriations	11.581	13.666	13.238	13.154	15.938	14.975	14.190	− 9	12	33
Capital expenditures	10.947	10.577	10.833	11.191	11.775	11.893	12.487	−26	9	42
Change in appropriations backlog*	+0.095	+0.522	+0.109	+1.095	+3.024	+2.083	+0.451			
ELECTRIC & GAS UTILITIES										
New appropriations	6.831	5.752	6.561	5.090	7.843	9.675	11.383	−30	26	
Capital expenditures	8.960	8.922	8.676	8.737	8.859	9.019	9.190	− 2	1	
Change in appropriations backlog*	−6.601	−4.321	−4.415	−6.109	−2.971	−1.526	−3.086			

Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quartely reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

r—revised p—preliminary

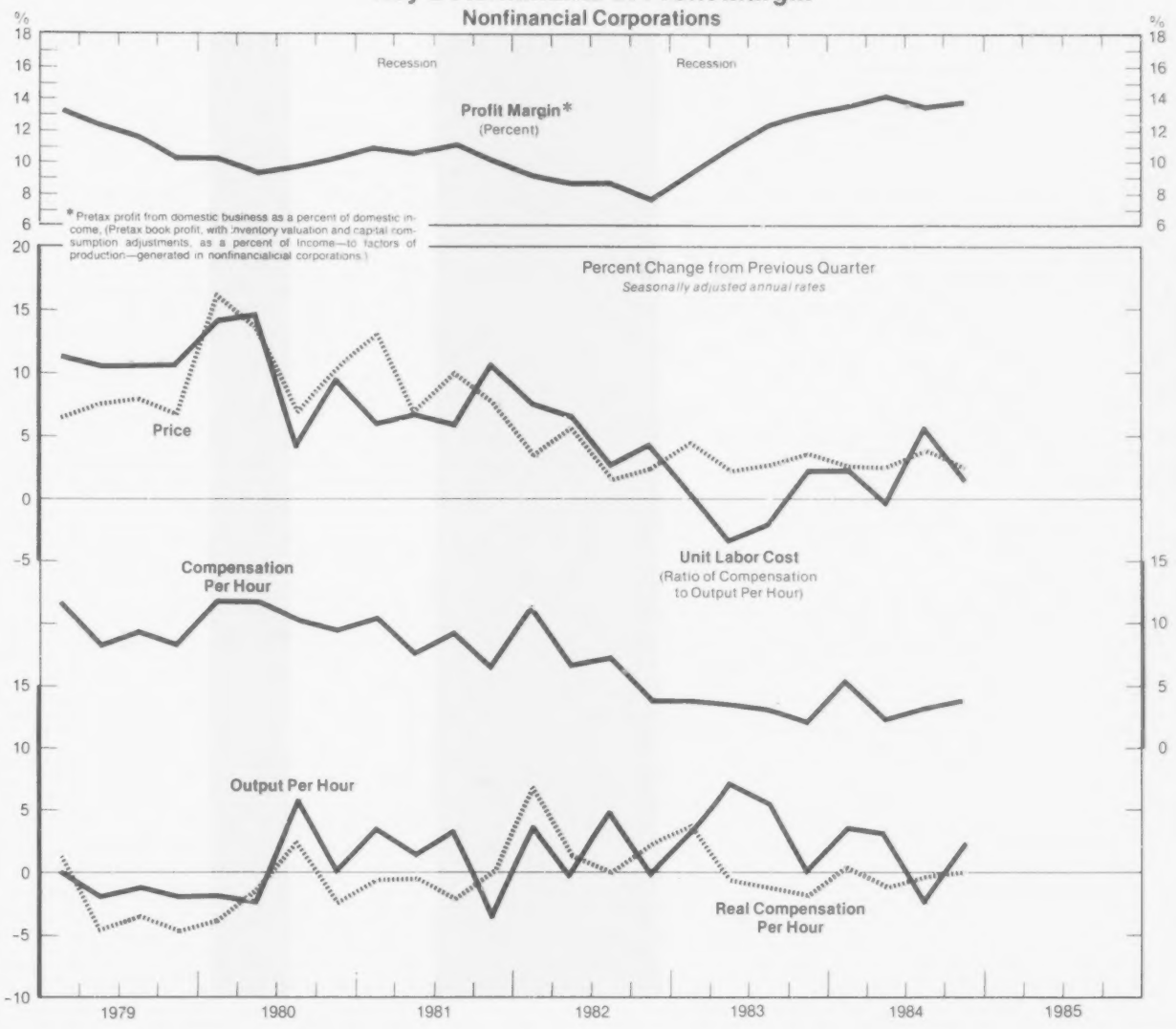
* Change in Backlog = New Appropriations—(Expenditures + Cancellations + Other Adjustments).

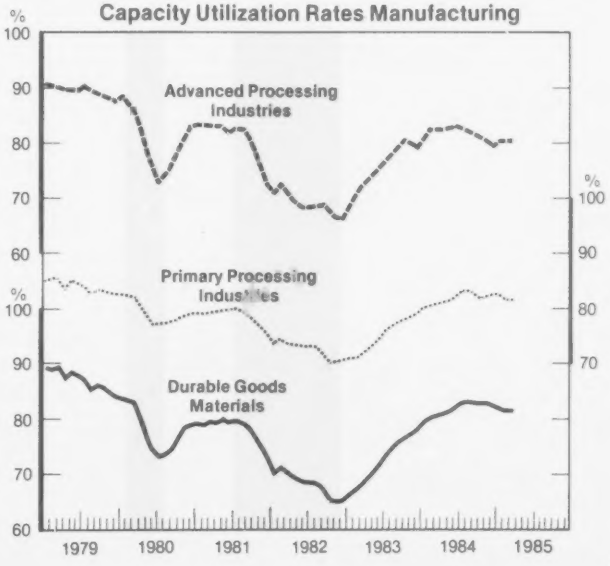
** Results based on survey respondents' expectations.

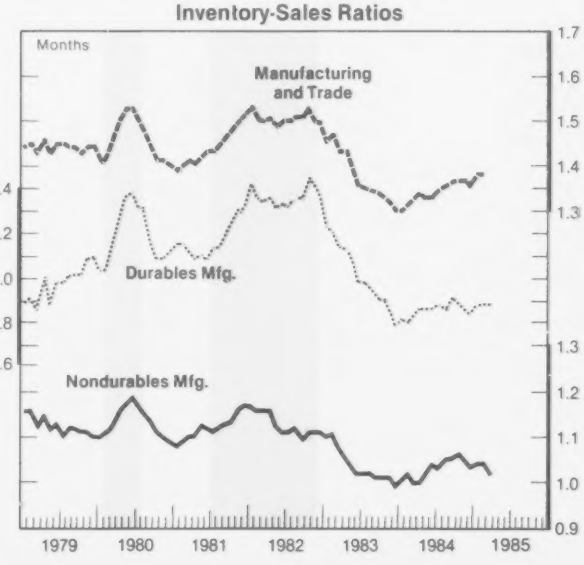


*Source: of Forecast is The Energy Information Administration: Department of Energy.

Key Determinants of Profit Margin







ECONOMIC FORECASTS

			U.C.L.A. Business Forecasting[1] Project		Merrill Lynch[1] Economics Inc.		E.I. duPont[1] de Nemours & Co.		Georgia State University[1]	
Date of Forecast			*Apr., 1985*		*Apr., 1985*		*Apr., 1985*		*Apr., 1985*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1985**	**I**	**$3819.9**	**6.7%**	**$3819.9**	**6.7%**	**$3819.9**	**6.7%**	**$3819.9**	**6.7%**
		II	3897.3	8.4	3893.1	7.9	3852.1	3.4	3901.4	8.8
		III	3953.7	5.9	3964.4	7.5	3922.7	7.5	3976.6	7.9
		IV	4016.1	6.5	4026.7	6.4	4000.1	8.1	4044.0	7.0
	1986	I	4072.8	5.8	4093.4	6.8	4067.8	6.9	4102.4	5.9
		II	4133.3	6.1	4169.9	7.7	4146.7	8.0	4185.1	8.3
		III	4200.9	6.7	4256.9	8.6	4199.7	5.2	4257.6	7.1
		IV	4282.9	8.0	4350.0	9.0	4255.4	5.4	4292.4	3.3
	1987	I	4373.5	8.7			4300.1	4.3	4352.4	5.7
		II	4467.6	8.9			4315.2	1.4		
	1985	Annual	3921.8	7.1	3926.0	7.2	3898.7	6.4	3935.5	7.4
	1986	Annual	4172.5	6.4	4217.6	7.4	4167.4	6.9	4209.4	7.0
Gross National Product Billions of Constant (1972) Dollars										
Actual	**1985**	**I**	**$1668.0**	**1.3%**	**$1668.0**	**1.3%**	**$1668.0**	**1.3%**	**$1668.0**	**1.3%**
		II	1689.0	5.1	1682.6	3.5	1677.0	2.2	1686.3	4.5
		III	1702.6	3.3	1695.1	3.0	1693.0	3.9	1702.4	3.9
		IV	1715.2	3.0	1705.1	2.4	1708.0	3.6	1712.6	2.4
	1986	I	1725.3	2.4	1714.3	2.2	1720.0	2.8	1719.0	1.5
		II	1737.0	2.7	1727.5	3.1	1735.0	3.5	1736.2	4.1
		III	1751.7	3.4	1742.2	3.4	1739.0	.9	1745.6	2.2
		IV	1770.1	4.3	1759.1	3.9	1744.0	1.2	1738.4	-1.6
	1987	I	1792.3	5.1			1748.0	.9	1738.5	
		II	1815.9	5.4			1736.5	-2.6		
	1985	Annual	1693.7	3.3	1687.7	3.0	1686.5	2.9	1692.3	3.2
	1986	Annual	1746.0	3.1	1735.8	2.8	1734.5	2.8	1734.8	2.5
Gross National Product deflator Index, 1972 = 100										
Actual	**1985**	**I**	**229.0**	**5.2%**	**229.0**	**5.2%**	**229.0**	**5.2%**	**229.0**	**5.2%**
		II	230.7	3.1	231.4	4.2	229.7	1.2	231.4	4.2
		III	232.2	2.6	233.9	4.4	231.7	3.5	233.6	3.9
		IV	234.1	3.4	236.2	4.0	234.2	4.4	236.1	4.4
	1986	I	236.1	3.3	238.8	4.5	236.5	4.0	238.7	4.3
		II	238.0	3.2	241.4	4.4	239.0	4.3	241.0	4.1
		III	239.8	3.2	244.3	5.0	241.5	4.2	243.9	4.8
		IV	242.0	3.6	247.3	4.9	244.0	4.2	246.9	5.0
	1987	I	244.0	3.4			246.0	3.3	250.4	5.7
		II	246.0	3.3			248.5	4.1		
	1985	Annual	231.5	3.6	232.6	4.1	231.2	3.5	232.5	4.1
	1986	Annual	238.9	3.2	242.9	4.4	240.3	3.9	242.6	4.3
Unemployment Rate										
Actual	**1985**	**I**		**7.3%**		**7.3%**		**7.3%**		**7.3%**
		II		7.3		7.2		7.2		7.2
		III		7.2		7.1		7.1		7.1
		IV		7.3		7.0		6.9		6.9
	1986	I		7.3		7.0		6.8		6.9
		II		7.4		7.0		6.7		6.9
		III		7.4		7.1		6.7		7.0
		IV		7.3		7.1		6.9		7.1
	1987	I		7.1				7.2		7.2
		II		6.9				7.5		
	1985	Annual		7.3		7.2		7.1		7.1
	1986	Annual		7.3		7.1		6.8		7.0

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.
[1]Based on preliminary first quarter data.

Revised GNP statistics for the first quarter were released too late (May 21st) to be included in these tables. The *Comment* however, does reflect the revised data.

ECONOMIC FORECASTS (continued)

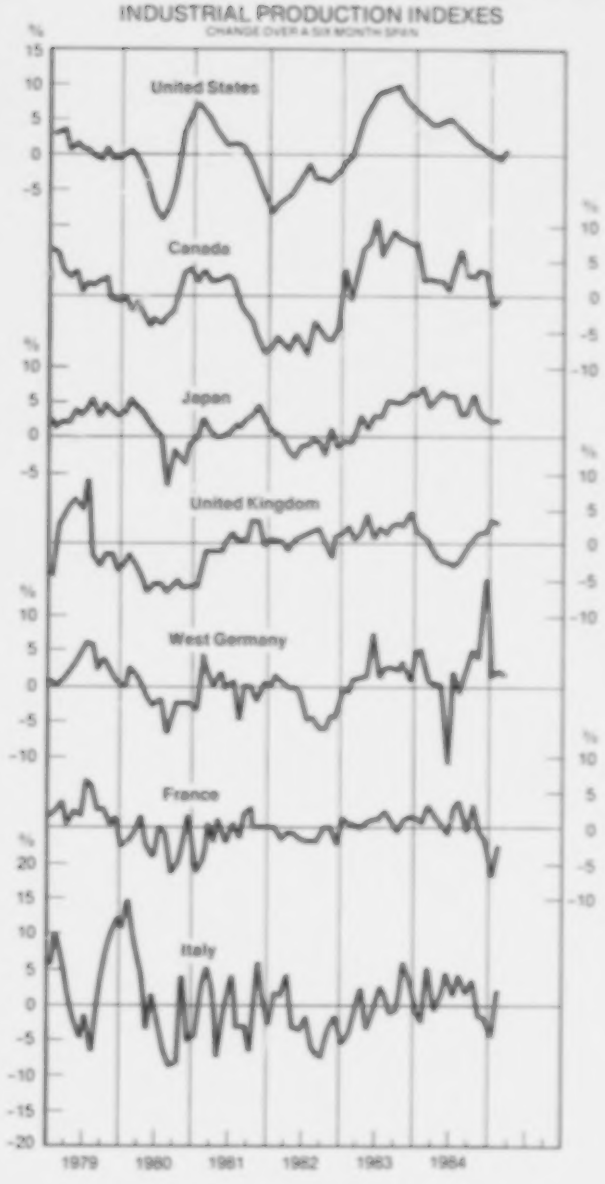
The Conference Board[1] Apr., 1985		Chase Econometric Associates, Inc.[1] Apr., 1985		Data Resources Inc.[1] Apr., 1985		Wharton E.F.A. Inc.[1] Apr., 1985		Date of Forecast		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$3819.9	**6.7%**	**$3819.9**	**6.7%**	**$3819.9**	**6.7%**	**$3819.9**	**6.7%**	I	**1985**	**Actual**
3883.0	6.9	3891.5	7.7	3877.5	6.2	3886.5	7.2	II		
3949.0	7.0	3966.0	7.9	3928.5	5.4	3949.7	6.7	III		
3998.0	4.0	4020.3	5.6	3964.6	5.8	4019.4	7.2	IV		
4050.0	6.4	4074.4	5.5	4039.1	5.6	4091.8	7.4	I	1986	
4127.0	7.8	4134.3	6.0	4096.1	5.8	4159.0	6.7	II		
4225.0	9.8	4224.7	9.0	4162.1	6.6	4232.3	7.2	III		
4315.0	8.8	4318.9	9.2	4244.1	8.1	4313.3	7.9	IV		
		4418.9	9.6	4335.1	8.9	4409.7	9.2	I	1987	
		4510.4	8.5	4430.6	9.1	4503.1	8.7	II		
3910.0	6.7	3924.4	7.1	3902.6	6.5	3918.9	7.0	Annual	1985	
4179.3	6.9	4188.1	6.7	4135.4	6.0	4199.1	7.2	Annual	1986	
								Gross National Product Billions of Constant (1972) Dollars		
$1668.0	**1.3%**	**$1668.0**	**1.3%**	**$1668.0**	**1.3%**	**$1668.0**	**1.3%**	I	**1985**	**Actual**
1683.2	3.7	1680.8	3.1	1681.1	3.2	1680.9	3.1	II		
1697.7	3.5	1694.8	3.4	1692.5	2.7	1693.2	3.0	III		
1697.7	0.0	1702.1	1.7	1702.2	2.3	1707.3	3.4	IV		
1706.1	2.0	1707.0	1.2	1710.2	1.9	1719.9	3.0	I	1986	
1719.6	3.2	1715.2	1.9	1718.6	2.0	1730.8	2.6	II		
1738.8	4.5	1733.9	4.4	1729.8	2.6	1744.1	3.1	III		
1756.1	4.0	1752.8	4.4	1744.4	3.4	1760.1	3.7	IV		
		1770.4	4.1	1762.6	4.2	1777.6	4.1	I	1987	
		1786.3	3.6	1782.2	4.5	1794.9	3.9	II		
1686.9	2.9	1686.4	2.9	1686.0	2.8	1687.4	2.9	Annual	1985	
1730.2	2.6	1727.2	2.4	1725.8	2.4	1738.7	3.0	Annual	1986	
								Gross National Product deflator Index, 1972 = 100		
229.0	**5.2**	**229.0**	**5.2%**	**229.0**	**5.2%**	**229.0**	**5.2%**	I	**1985**	**Actual**
230.7	3.0	231.5	4.5	230.7	2.9	231.2	3.9	II		
232.6	3.4	234.0	4.4	232.1	2.6	233.3	3.6	III		
234.9	4.0	236.2	3.8	234.1	3.4	235.4	3.7	IV		
237.4	4.3	238.7	4.3	236.2	3.6	237.9	4.3	I	1986	
240.0	4.5	241.0	4.0	238.3	3.7	240.3	4.1	II		
243.0	5.1	243.7	4.4	240.6	3.9	242.7	4.0	III		
245.7	4.6	246.4	4.6	243.3	4.5	245.1	4.0	IV		
		249.6	5.3	245.9	4.4	248.0	5.0	I	1987	
		252.5	4.7	248.6	4.4	250.9	4.7	II		
231.8	3.8	232.7	4.2	231.5	3.6	232.2	3.9	Annual	1985	
241.5	4.2	242.4	4.2	239.6	3.5	241.5	4.0	Annual	1986	
								Unemployment Rate		
	7.3%		**7.3%**		**7.3%**		**7.3%**	I	**1985**	**Actual**
	7.4		7.1		7.4		7.4	II		
	7.4		7.1		7.4		7.5	III		
	7.7		7.3		7.5		7.5	IV		
	7.8		7.5		7.6		7.5	I	1986	
	7.9		7.6		7.7		7.5	II		
	7.7		7.6		7.8		7.4	III		
	7.5		7.5		7.9		7.3	IV		
			7.3		7.8		7.2	I	1987	
			7.1		7.6		7.0	II		
	7.5		7.2		7.4		7.4	Annual	1985	
	7.7		7.6		7.8		7.4	Annual	1986	

Please Note: In the interest of speeding the data contained in this publication to you, these series are now available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS

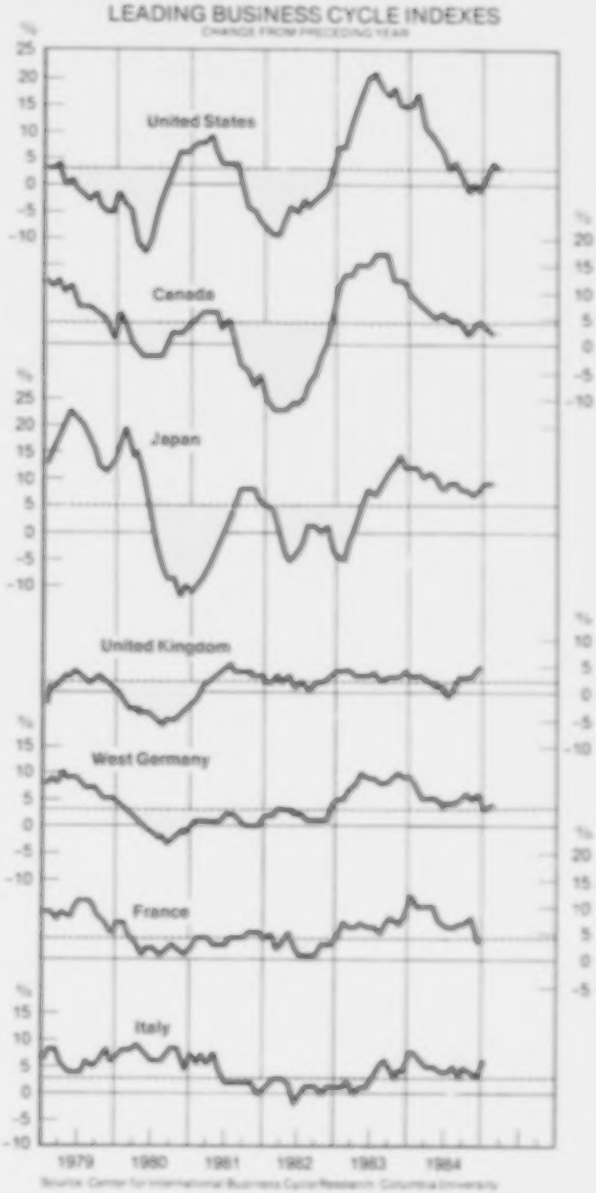
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



LEADING BUSINESS CYCLE INDEXES

CHANGE FROM PRECEDING YEAR



Source: Center for International Business Cycle Research, Columbia University

MERCHANDISE TRADE: VALUE OF EXPORTS

RAW MATERIALS PRICES

Foreign Exchange Rates

Indexes: 1980-82 = 100

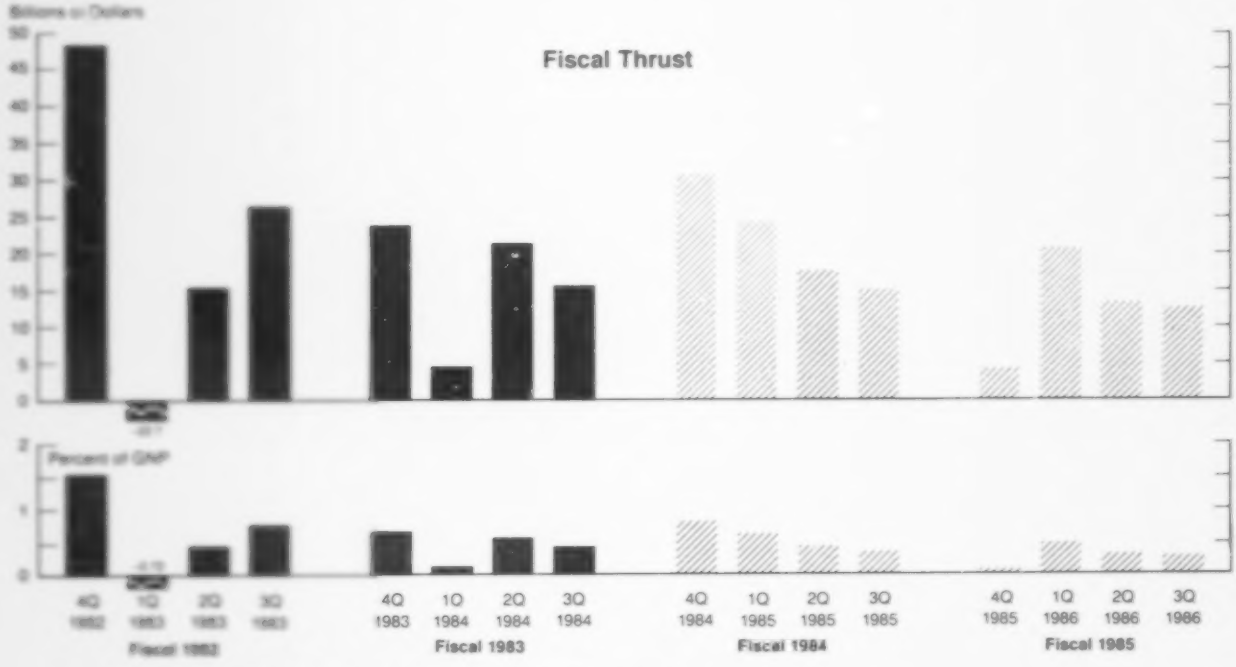
Note: Nominal Effective Exchange Rates: Index numbers 1980-82 = 100. Each index shows a currency's trade-weighted appreciation or depreciation measured against fifteen other major currencies using averages of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

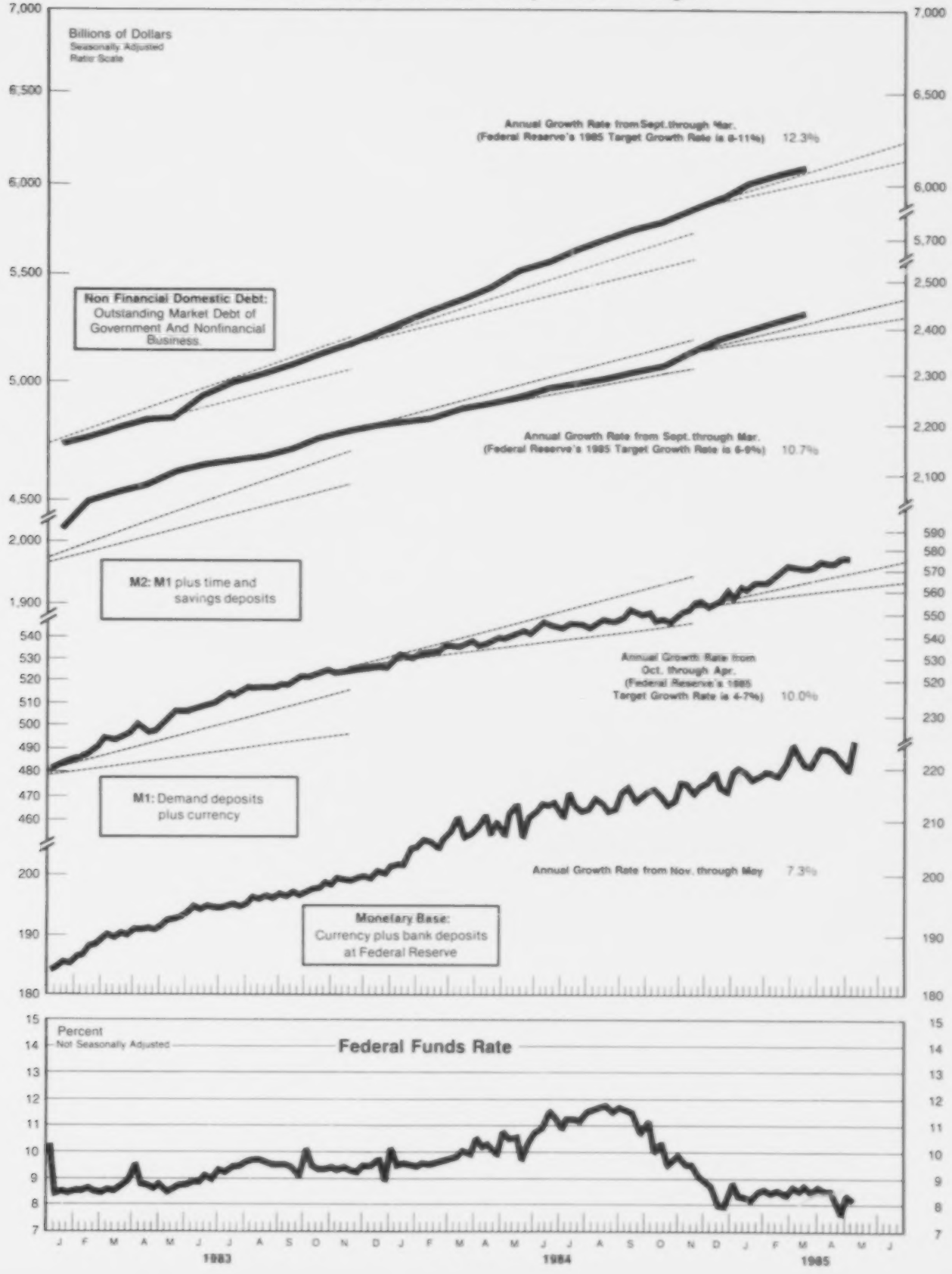
	Fiscal 1985			Fiscal 1986		
	Current Services (2/4/85)	President's Proposal (2/4/85)	Congressional Estimate (2/27/85)	Current Service (2/4/85)	President's Proposal (2/4/85)	Congressional Estimate (2/27/85)
Receipts	**736.9**	**736.9**	**735.0**	**794.3**	**793.7**	**789.0**
Outlays	**960.4**	**959.1**	**950.0**	**1,024.5**	**973.7**	**975.0**
Deficit	**-223.6**	**-222.2**	**-215.0**	**-230.3**	**-180.0**	**-186.0**
Receipts by source	**736.9**	**736.9**	**735.0**	**794.3**	**793.7**	**789.0**
Individual income taxes	329.7	329.7	333.0	359.4	358.9	361.0
Corporate income taxes	66.4	66.4	63.0	74.8	74.1	70.0
Social insurance	268.4	268.4	266.0	289.4	289.4	285.0
Other receipts	72.4	72.4	74.0	70.7	71.3	72.0
Outlays by function	**960.4**	**959.1**	**950.0**	**1,024.5**	**973.7**	**975.0**
National defense	253.2	253.8	252.8	294.6	285.7	284.7
Social security and medicare	257.4	257.4	254.4	273.6	269.4	268.4
Income security	128.3	127.2	127.2	120.8	115.8	115.8
Health	33.9	33.9	33.9	36.7	34.9	34.9
Education and manpower	30.6	30.4	30.4	31.3	29.3	29.3
Veterans' benefits	26.9	26.9	26.9	27.8	26.8	26.8
Transportation	27.0	27.0	26.0	27.9	25.9	25.9
International affairs	19.3	19.6	17.6	19.0	18.3	18.3
National resources and environment	13.0	13.0	13.0	13.2	11.9	11.9
Agriculture	20.2	20.2	21.2	18.1	12.6	11.6
General science	8.7	8.7	8.7	9.3	9.3	9.3
Community development	8.6	8.6	8.6	8.3	7.3	7.3
Justice	6.7	6.7	6.7	6.9	6.6	6.6
General government	5.8	5.8	5.8	5.8	4.8	4.8
Energy	8.7	8.2	6.2	7.9	4.7	4.7
Revenue sharing	6.5	6.6	6.6	6.6	2.8	2.8
Commerce and housing credit	6.0	6.0	6.0	5.3	2.2	2.2
Interest	130.5	130.4	129.4	145.8	142.6	145.6
Allowances	1.1	1.1	1.1	1.7	0.4	0.4
Undistributed offsetting receipts	-32.2	-32.3	-32.3	-36.0	-37.5	-36.5

Sources: Office of Management and Budget, Congressional Budget Office.



Note: The Congressional Board has developed estimates of fiscal thrust which measure the initial economic impact of the budget and the changes in budget policy over time. In addition to the multiplier effects associated with the private sector of the economy, the model includes state and local government spending and the effects of monetary policy. For more information, see Michael Levy, "The Federal Budget: Its Impact on the Economy," The Conference Board Report 876, 1985.

Money Supply and Monetary Growth Targets


Billions of Dollars
Seasonally Adjusted
Ratio Scale
Annual Growth Rate from Sept. through Mar. (Federal Reserve's 1985 Target Growth Rate is 8-11%) 12.3%
Non Financial Domestic Debt: Outstanding Market Debt of Government And Nonfinancial Business.
Annual Growth Rate from Sept. through Mar. (Federal Reserve's 1985 Target Growth Rate is 6-9%) 10.7%
M2: M1 plus time and savings deposits
Annual Growth Rate from Oct. through Apr. (Federal Reserve's 1985 Target Growth Rate is 4-7%) 10.0%
M1: Demand deposits plus currency
Annual Growth Rate from Nov. through May 7.3%
Monetary Base: Currency plus bank deposits at Federal Reserve
Percent
Not Seasonally Adjusted
Federal Funds Rate
1983
1984
1985

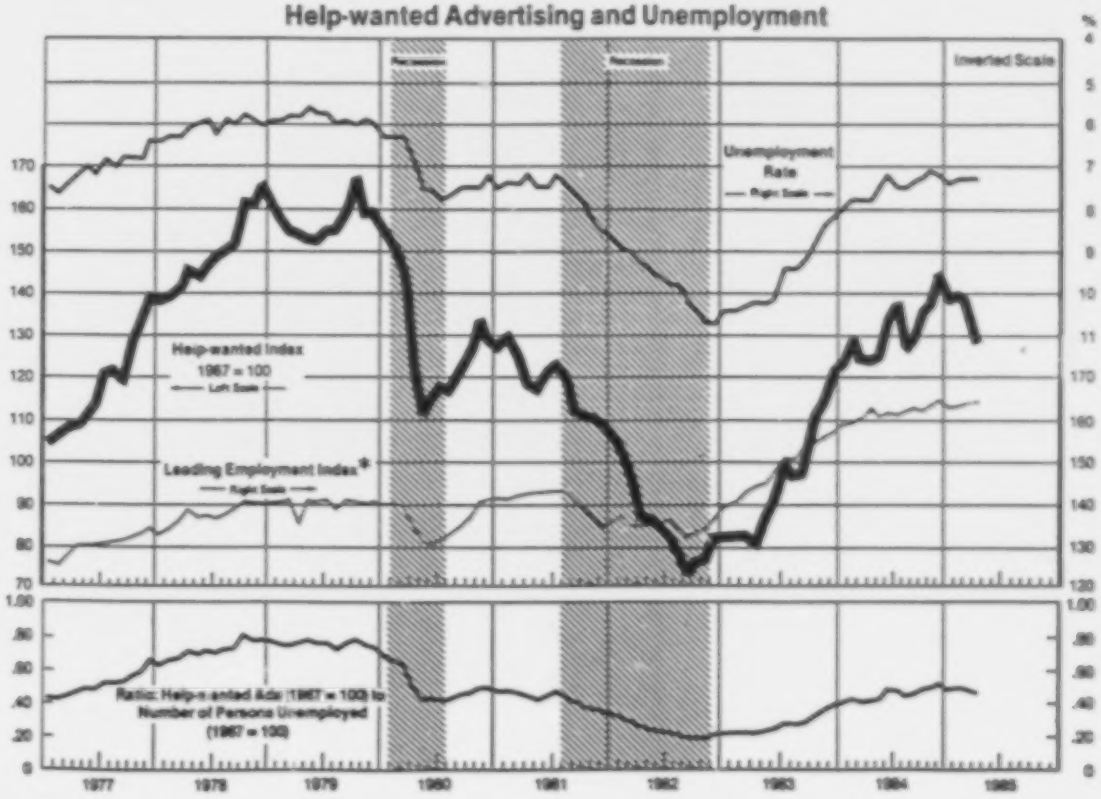
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

Locality	1985 Mar.	1984 Feb.	1984 Jan.	1984 Mar.
National Index	138	140	139r	124
New England	153	151	153	133
Boston	171	166	161	151
Hartford	137	151	174	121
Providence	106	102	109	84
Middle Atlantic	66	66	66	57
Albany	144	142	144	124
Allentown	157	177	202	123
New York	53	53	54	50
Philadelphia	60	58	57	49
Pittsburgh	72	68	66	52
Rochester	81	89	85	63
Syracuse	103	105	99	82
East North Central	88	88	83	72r
Chicago	98	100	90	90
Cincinnati	132	127	130	87
Cleveland	64	61	59	44
Columbus	137	136	137	91
Dayton	80	73	69	57
Detroit	65	63	56	53
Gary	101	106	115	83
Indianapolis	88	85	87	74r
Milwaukee	54	56	56	50
Toledo	109	112	114	79r
West North Central	92	90r	83	73
Kansas City	123	123	121	94
Minneapolis	81	81	81	68
Omaha	128	112	124	114
St. Louis	74	72r	51	54
South Atlantic	175	181	165	145
Atlanta	299	300	295	261
Baltimore	124	169	116	93
Charlotte	159	149	151	141
Jacksonville	205	182	191	195
Miami	88	77	79	94
Richmond	128	126	106	86
Washington, D.C.	181	183	168	151
East South Central	138	137	142	116r
Birmingham	134	140	149	116
Knoxville	227	194	201	164
Louisville	94	90	85	67r
Memphis	105	100	105	108
Nashville	178	200	210	155
West South Central	251	264	279	275
Dallas	352	377	402	389
Houston	300	323	341	343
New Orleans	113	116	117	129
Oklahoma City	141	133	153	147
San Antonio	220	216	210	201
Tulsa	148	147	158	137
Mountain	326	327r	329r	282
Denver	239	230r	226r	208
Phoenix	476	470	457	409
Salt Lake City	284	313	347	246
Pacific	203	205	206	186
Los Angeles	157	158	157	150
Sacramento	341	340	341	290
San Bernardino	197	201	228	146
San Diego	443	475	434	380
San Francisco	205	202	212	188
Seattle	184	188	185	185
Percentage of papers with rising volume	53	43r	33	16
Unemployment rate	7.3	7.3	7.4	7.8

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised N.A.—not available

Help-wanted Advertising and Unemployment



CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1969-1970 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1983	58.0	65.8	77.1	80.3	84.0	84.9	84.7	84.6	84.8	85.7	90.2	95.1
1984	98.4	95.7	94.5	97.9	95.2	97.1	91.0	91.9	91.0	91.5	96.8	85.9
1985	95.4	95.8	87.8r	92.6p								

Buying Plans Index

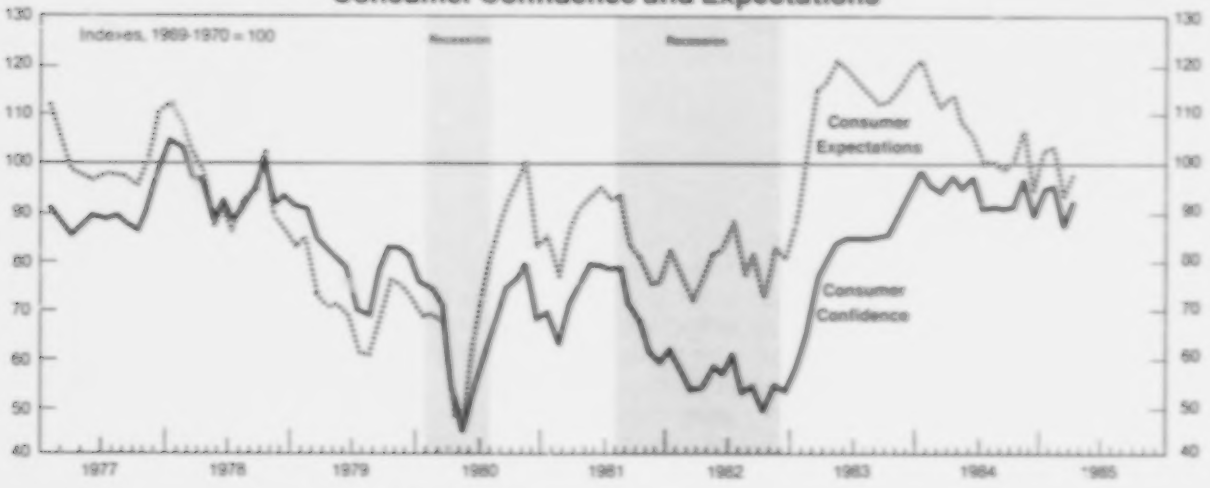
1983	71.9	75.8	87.9	86.0	85.2	103.6	100.5	89.9	113.5	109.9	108.9	108.5
1984	101.4	108.0	103.9	99.4	105.1	121.6r	94.5	100.6	90.3	98.5	102.7	96.2
1985	102.3	107.1	113.8r	96.1p								

Confidence Index measures consumer optimism in appraising economic conditions. Buying plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—Preliminary r—revised

Consumer Confidence and Expectations



CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

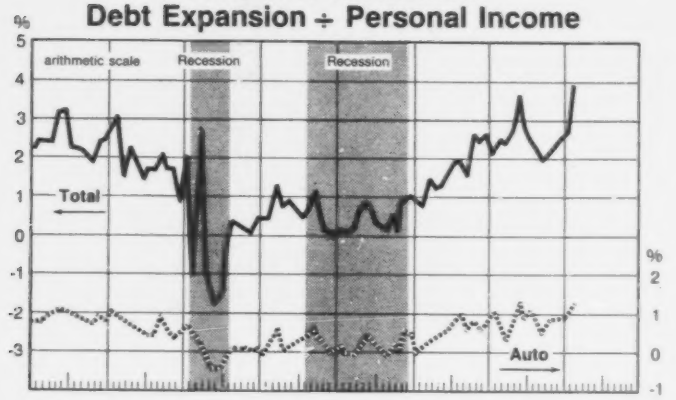
Billions of Current Dollars (Seasonally Adjusted at Annual Rates)

		Aggregate Purchasing Power (APP)	Discretionary			Ratios			
			Purchasing Power (DPP)	Spending (DSP)	Saving (DSA)	(DSP)/(DPP)	(DSP)/(APP)	Total Saving/ (APP)	Net Saving/ Income After Taxes
1978	IV	$1714.9	$604.0	$437.0	$167.0	72.3%	25.5%	14.0%	8.5%
1979	I	1758.5	621.0	435.3	185.8	70.1	24.8	14.0	7.5
	II	1846.3	660.4	433.4	226.9	65.6	23.5	16.3	10.5
	III	1865.0	651.0	451.8	199.2	69.4	24.2	14.2	8.8
	IV	1903.1	642.3	466.9	175.3	72.7	24.5	13.1	9.0
1980	I	1999.7	702.4	479.4	223.0	68.3	24.0	15.2	10.4
	II	1942.3	600.7	454.5	146.3	75.7	23.4	12.5	11.4
	III	2085.1	698.2	474.4	223.8	67.9	22.8	15.5	11.8
	IV	2147.6	735.9	497.5	238.3	67.6	23.2	14.9	10.8
1981	I	2180.1	732.3	520.4	211.9	71.1	23.9	13.6	10.0
	II	2235.7	740.6	514.5	226.0	69.5	23.0	14.7	10.4
	III	2317.8	771.2	525.3	246.0	68.1	22.7	15.5	12.4
	IV	2289.4	739.2	520.2	219.0	70.4	22.7	13.7	12.0
1982	Ir	2293.4	719.1	530.1	189.0	73.7	23.1	12.2	10.7
	IIr	2344.3	731.9	542.9	189.0	74.2	23.2	12.8	10.5
	IIIr	2424.8	782.9	549.5	233.4	70.2	22.7	14.1	12.3
	IVp	2458.0	799.0	577.0	222.0	72.2	23.5	13.3	10.3

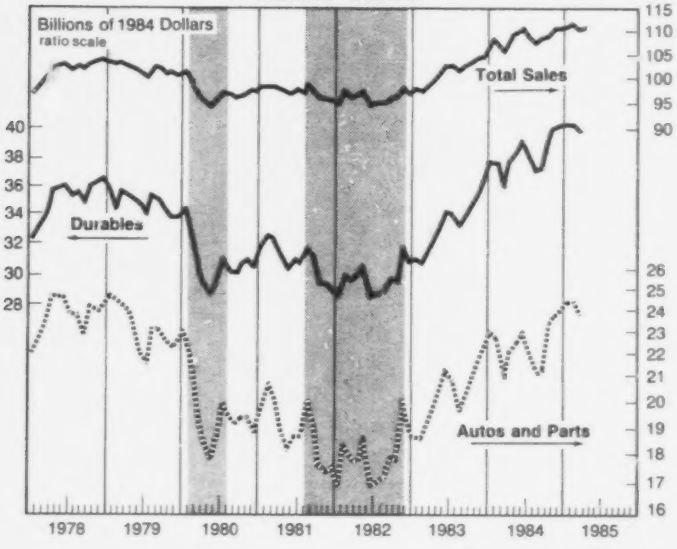
Note: For an explanation of discretionary purchasing power and spending, see the Sept., 1981 issue of the *Statistical Bulletin*.

P—Preliminary R—Revised

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1982	1983	1984	1985
January:	1-10	5.53	6.17	8.16	9.14
	11-20	5.59	6.20	7.84	8.16
	21-31	5.14	5.60	9.15	8.78
February:	1-10	6.10	5.86	7.79	7.97
	11-20	6.03	5.30	9.17	8.28
	21-28(29)	6.06	6.07	7.60	8.81
March:	1-10	5.46	5.61	7.35	7.60
	11-20	5.68	6.10	8.13	8.55
	21-31	6.17	6.19	7.35	7.86
April:	1-10	5.06	6.69	8.88	8.30
	11-20	6.14	6.52	7.96	9.76
	21-30	5.62	6.35	8.60	8.73
May:	1-10	6.31	6.67	8.75	7.65
	11-20	6.53	6.30	7.74	
	21-31	5.77	6.97	8.43	
June:	1-10	6.00	7.23	7.22	
	11-20	4.24	7.34	8.25	
	21-30	4.56	7.28	8.10	
July:	1-10	4.98	7.25	9.51	
	11-20	5.56	7.36	8.32	
	21-31	5.34	7.43	8.59	
August:	1-10	5.27	7.39	7.33	
	11-20	5.00	6.11	8.07	
	21-31	5.72	6.65	7.43	
September:	1-10	5.16	6.26	8.13	
	11-20	6.75	7.21	8.52	
	21-30	6.11	6.55	6.03	
October:	1-10	5.22	7.52	7.83	
	11-20	5.36	7.56	7.07	
	21-31	5.91	7.45	7.70	
November:	1-10	6.56	6.96	6.60	
	11-20	6.98	6.55	8.44	
	21-30	6.48	7.62	6.57	
December:	1-10	6.03	7.30	8.75	
	11-20	6.45	8.09	7.96	
	21-31	6.64	8.48	8.19	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic-Model Car Sales